

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-301-W - ORDER NO. 96-42 ✓
JANUARY 15, 1996

IN RE: Application of Heater Utilities,) ORDER
 Inc. for Approval of Increase in) ON
 Water Rates.) REMAND

This matter comes before the Public Service Commission of South Carolina (the Commission) on Remand from the South Carolina Supreme Court of our 1992 Heater Utilities, Inc. (Heater or the Company) Rate Case.

A brief history is in order in this matter. On July 6, 1992, Heater filed an application for a rate increase of \$235,199 with the Commission. After subsequent evidentiary hearings and a night hearing, in which the public was given a chance to express its opinion on the increase, the Commission denied the request of increase in total. Subsequent to that denial, Heater put its rates into effect under bond pursuant to S.C. Code Ann. Section §58-5-240 (D). While on appeal to the Circuit Court and Supreme Court, Heater collected its full requested rates under bond between September 23, 1993 and June, 1994, at which time a new Commission-approved rate went into effect. Heater collected \$179,854 in revenues and applied \$42,071 in interest for a total of revenue and interest of \$221,924 during this time. Although the Circuit Court affirmed the Orders of the Commission, the Supreme Court reversed and remanded the Case to this Commission for

proceedings consistent with its opinion.

We first note that Commissioner Yonce, an original member of the panel that heard this case in 1992, has retired. At the Commission meeting of January 9, 1995, the Chairman appointed Commissioner C. Dukes Scott to replace Mr. Yonce on the panel.

The Panel of Commissioners has considered this matter and notes with interest that Company witness David Parcell in the original proceeding recommended a range of 10.5% to 11.5% rate of return on equity in the case. We note that the 10.5% return on equity equates to a 9.28% operating margin. After consideration of the entire record of the old case, we hold, based on the evidence, that a 9.28% operating margin was appropriate for Heater from September, 1993 until June, 1994. According to our calculations, this 9.28% operating margin equates to a total refund of \$53,772. We hold that Heater shall refund this money and/or give its customers a bill credit accordingly. According to our calculations, this refund comes to \$17.35 per customer.


A re-examination of the record indicates to us that, taking out the Commission consideration of "dirty water" as ordered by the Supreme Court, the Commission could have awarded a 9.28% operating margin, based on that record. We adopt a 9.28% operating margin as reasonable under the facts of that case. (We hereby incorporate the language of past Commission Orders to continue our endorsement of the operating margin concept over rate of return on equity as appropriate methodology in water and wastewater cases.)

Heater therefore was not entitled to keep the entire amount it had collected under bond, but must refund and/or give bill credits

for \$53,772. We hold that this is just and reasonable under the circumstances.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)